SAFEWAY STORES, INCORPORATED

Annual Report

YEAR ENDED DECEMBER 31ST

1956

SAFEWAY'S FINANCIAL HIGHLIGHTS

Operations

	1956	1955
Sales	$1,989,305,295	$1,932,243,202
Profit Before Income Taxes	53,361,450	27,330,427
Net Profit	25,406,310	13,621,803
Dividends to Preferred Stockholders	1,941,448	2,272,334
Net Earnings Applicable to Common Stock	23,464,862	11,349,469
Net Earnings Per Share of Common Stock Based on Average Number of Shares Outstanding During the Year	6.42	3.25
Dividends to Common Stockholders	8,819,417	8,385,676
Dividends Per Share of Common Stock	2.40	2.40

Financial

Current Assets	$238,191,133	$263,598,336
Current Liabilities	132,227,577	168,013,570
Working Capital	105,963,556	95,584,766
Current Ratio	1.80 to 1	1.57 to 1
Equity of Common Stockholders	145,513,358	115,681,313
Book Value Per Share of Common Stock	37.90	33.05

Retail Stores

In Operation — Beginning of Year	1,988	1,998
New Stores Opened	93	104
Old Stores Closed	100	114
In Operation — End of Year	1,981	1,988

Annual Report

TO THE STOCKHOLDERS

OF SAFEWAY STORES, INCORPORATED

his report covering the year 1956 has been prepared to keep you, one of Safeway's 45,000 stockholders, informed of the Company's operations. On the opposite page is a brief summary of financial highlights comparing the results of the year 1956 with the previous year. Additional information will be found in the financial statements, charts, tables and comments on the Company's affairs which appear later in the report.

Net profit for the year 1956 amounted to $25,406,310 which was the highest earnings in the Company's history. After payment of preferred stock dividends in the amount of $1,941,448, the year's net income amounted to $6.42 per share on 3,654,963 shares of common stock, the average number outstanding during the year. This compares to net profit of $13,621,803 in 1955 which, after payments of preferred stock dividends of $2,272,334, amounted to $3.25 per share of common stock on an average of 3,492,129 shares outstanding during the year 1955.

Sales for the year 1956 were $1,989,305,295 as compared with $1,932,243,202 in 1955, an increase of 2.95%. For the sixth consecutive year the Company set another new record in total sales.

The year-end financial position was significantly improved over 1955. There were no current loans outstanding to banks on December 31, 1956 and inventories and cash balances were decreased, reflecting better utilization of working capital. The ratio of current assets to current liabilities was 1.80 to 1 at year-end as compared with 1.57 to 1 at the end of 1955.

During the year the organization of the Company was further streamlined and more emphasis placed on decentralization of operating authority. The Company's retail stores and other facilities, including over 54,000 Safeway employees, are more than ever before an integral part of the local communities in which they are situated. We have endeavored to create a more friendly and personal atmosphere in the stores and to make them a pleasant and convenient place for customers to shop. We are now giving our customers a wider selection of items from which they can choose their purchases.

Changes in layout, design and construction of new retail stores have reduced former development costs substantially without decreasing capacity or operating efficiency. Over future years, this will be reflected in lower rental costs and better operating results.

The results obtained in 1956 would not have been possible without the individual and collective cooperation of all of the Company's employees. We want to express our deep appreciation to each of them individually.

Robert A Magowan

March 15, 1957

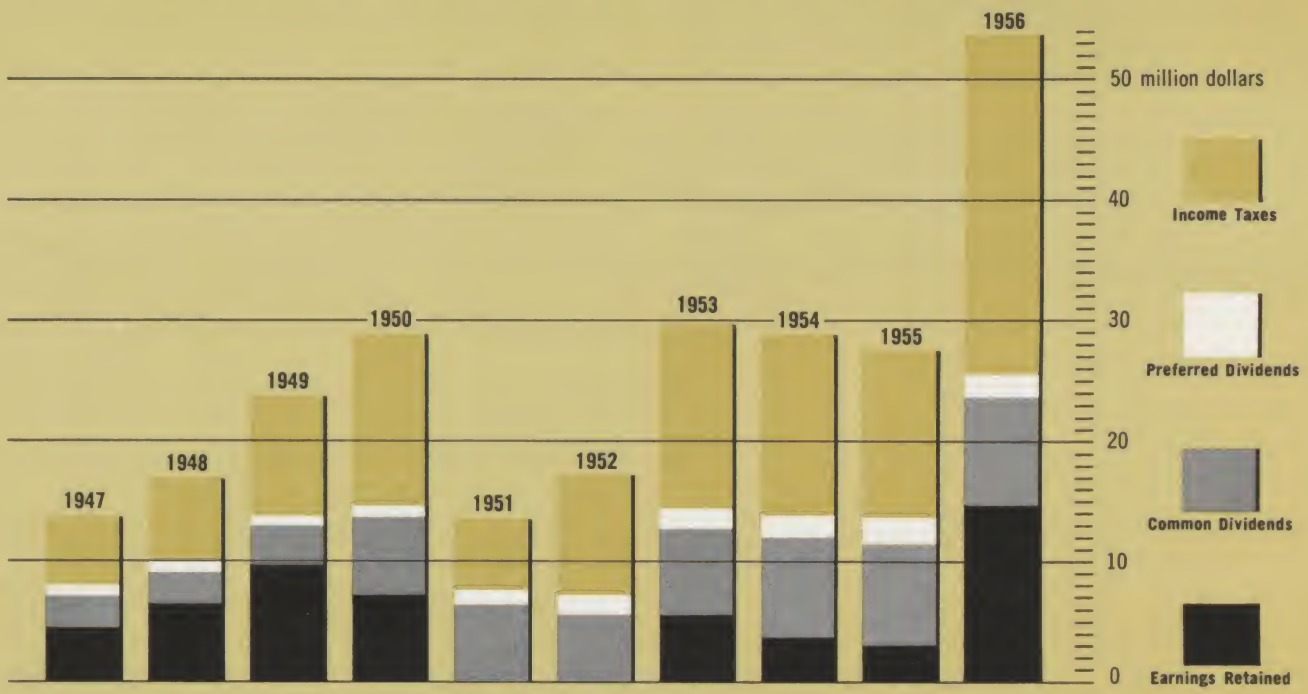
President and Chairman of the Board

Safeway Stores, Incorporated and All Subsidiaries Consolidated

Stockholders' Equity; Net Assets Per Share of Preferred Stock; Book Value, Dividends Paid and Net Earnings Per Share of Common Stock.

Year	*Stockholders' Equity*	*Net Assets Per Share of Preferred Stock*	*Book Value Per Share of Common Stock*	*Dividends Paid Per Share of Common Stock*	*Net Earnings Per Share of Common Stock*
1947	$ 76,039,946	$388	$21.96	$1.00	$2.75
1948	81,972,829	428	24.44	1.00	3.50
1949	91,236,990	488	28.22	1.25	5.04
1950	115,215,274	371	29.76	2.40	5.20
1951	113,821,747	377	29.58	2.40	2.26
1952	132,273,480	266	29.03	2.40	2.01
1953	138,196,700	335	31.23	2.40	4.31
1954	167,487,613	304	32.32	2.40	3.52
1955	170,165,413	312	33.05	2.40	3.25
1956	185,417,658	465	37.90	2.40	6.42

Pretax Earnings, Income Taxes, Net Income, Dividend Distributions and Net Additions to Retained Income



Earnings

The profit of the Company for 1956, before all income taxes, was $53,361,450—nearly double the $27,330,427 of 1955. United States, Canadian and State taxes on income were $27,955,140. The net profit, after all taxes, was $25,406,310 as compared with $13,621,-803 for 1955. Other taxes paid by the Company as operating expenses appear on page nine.

After payment of Preferred Dividends of $1,941,448, net earnings for common stock amounted to $6.42 per share based on an average of 3,654,963 shares outstanding during the year. This compares with $3.25 per share in 1955 on 3,492,129 shares, the average number then outstanding. Not only were 1956 net earnings per common share (adjusted for prior stock splits), the highest in the Company's history, but a five-year trend toward net income lower than generally prevailing within the retail food industry was reversed.

For the year 1956, 1.28 cents out of each dollar of sales represented the Company's net profit after income taxes.

ATTRACTIVE, easy-to-identify displays such as found in the self-service meat department, above, make Mother's shopping tour an interesting and pleasant one.

Dividends

At year-end, 269,318 shares of 4% Cumulative Preferred and 129,725 shares of 4.30% Cumulative Convertible Preferred stock were outstanding. 1956 preferred dividends totaled $1,941,448 and were earned 13.09 times. Payment of $8,819,417 ($2.40 per share) on outstanding common continued the Company's record of uninterrupted dividends for both preferred and common stocks.

TEMPTING, colorful displays of fruits and vegetables in Safeway's modern produce departments provide a variety of selection for the family shopper.

Financial Position

Current bank loans of the Company were reduced from $50,900,000 to none during 1956.

All loans and debentures were reduced from $127,150,000 to $67,553,500. Only long-term debenture obligations remained outstanding, of which $6,200,000 will be retired in 1957.

Company utilization of current assets improved. Notwithstanding record sales and 93 newly stocked store openings, 1956 inventory dropped $6,058,562—3.89% lower than 1955. Also, utilization of profits and the excess of depreciation over expenditures for land, store buildings, plants and warehouses increased working capital 10.86%, from $95,584,766 to $105,963,556.

The ratio of current assets to current liabilities was 1.80 to 1 on a fully consolidated basis.

Cortland Equipment Lessors, Incorporated, a wholly-owned equipment subsidiary, was merged into the Company following the retirement of its current debentures of $6,000,000. The merger plan called for the exchange of the Company's debentures for the balance outstanding. After retiring loans in the total amount of $21,500,000, plus interest, Salem Commodities, Incorporated, a supply subsidiary, was dissolved. In addition, Macdonalds Consolidated Limited, a Canadian subsidiary, prepaid and retired the balance ($2,250,000) of its outstanding 3¼% Collateral Trust Debentures.

Stockholders' Equity reached a new high of $185,417,658. After 134,718 shares of 4.30% Preferred were converted, the book value of common stock increased to $37.90 based on the number of shares outstanding at year-end.

STOCKHOLDER Connie Stuck (above, center) takes time out for a special inspection tour of one of her favorite stores accompanied by San Francisco Retail Division Manager Quentin Reynolds (left), Store Manager John Sutich and Food Clerk Geraldine Butler.

Safeway Stockholders

Miss Constance Virginia Stuck, on leave from her United States Embassy position in Russia, was honored as the purchaser of the one-millionth share of stock sold under the Monthly Investment Plan of the New York Stock Exchange. Her purchase? Safeway, of course. Not all stockholders, however, live so far away. Some are your neighbors. Safeway's more than 45,000 stockholders live throughout the 48 States, the District of Columbia, the 10 Canadian Provinces, and include some who live in more distant lands.

Total Sales and Average Number of Stores in Operation, 1947-1956

Year	In Thousands of Dollars			Retail Stores	Average Weekly Retail Sales Per Store
	Retail Sales	Wholesale Sales	Total Sales		
1947	$1,089,391	$27,674	$1,117,065	2,401	$ 8,726
1948	1,245,949	30,843	1,276,792	2,308	10,185
1949	1,170,271	30,583	1,200,854	2,202	10,220
1950	1,184,915	34,073	1,218,988	2,084	10,934
1951	1,423,050	38,065	1,461,115	2,104	13,007
1952	1,593,463	45,632	1,639,095	2,104	14,565
1953	1,697,262	54,557	1,751,819	2,054	15,574
1954	1,761,404	52,112	1,813,516	2,008	16,876
1955	1,878,474	53,769	1,932,243	1,998	18,274
1956	1,932,057	57,248	1,989,305	1,980	18,760

Safeway's Citizen of the Year

Many Safeway people are active in county and city governments, school districts, and various community service organizations. Typical, but outstandingly so, is Steve Ferkovich, Store Manager at Leadville, Colorado.

So numerous were his 1956 community interests, Steve was nationally recognized as a "Good Citizen of the Year" by the National Association of Food Chains. Below, he is shown talking with Curator Marian Smith of the local historical society (he is a director); reviewing committee assignments for a charity campaign with his store staff; and relaxing at home with Mrs. Ferkovich and son, Stephen, Jr.

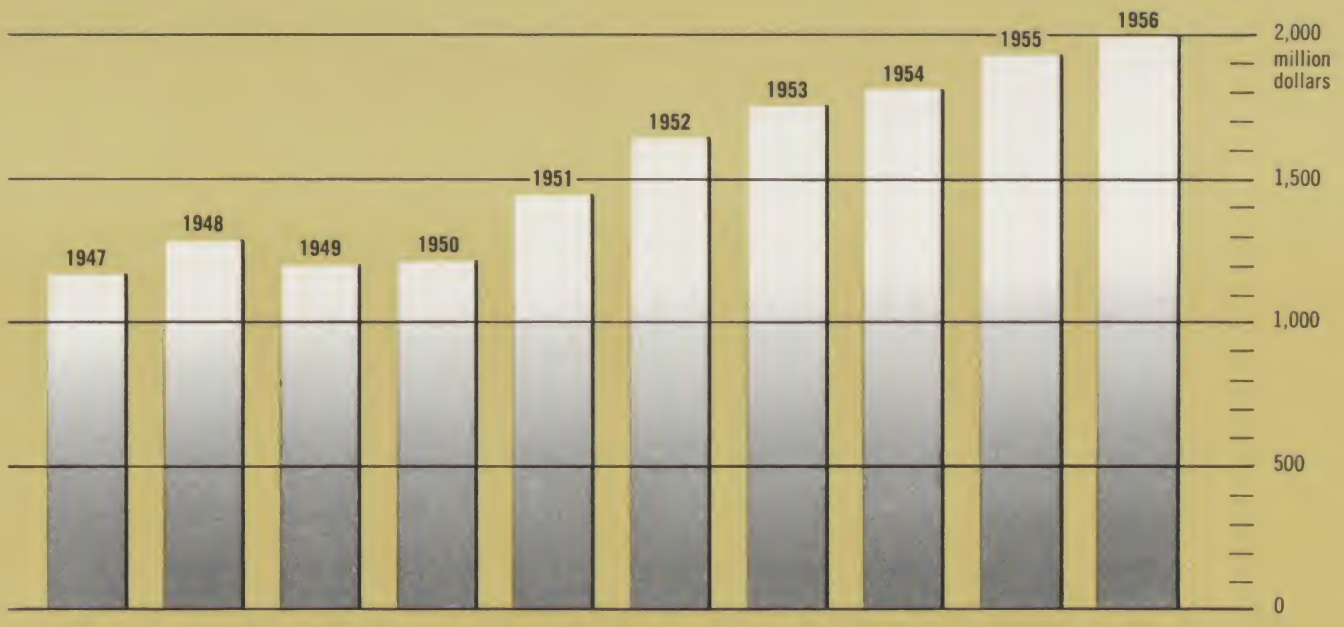
Sales and Stores

Total 1956 sales were $1,989,305,295—a new high and 2.95% greater than 1955 when sales totaled $1,932,243,202. There were no acquisitions or territory expansions affecting this sales comparison. Store closings overlapped openings of replacements, making a 2.66% gain in weekly sales per store as shown on page six. At the end of 1956, there were 1,981 stores in operation as compared with 1,988 at the close of 1955.

In addition to 93 stores opened during 1956, 13 new retail stores were completed and ready to open, and 100 were under construction and scheduled to open early in 1957. Somewhat depending upon the money market, 50 or more additional 1957 stores were planned but are not yet commenced. Many of these already seem assured.

Design and construction time schedules were reduced from about 26 to less than 12 months, cutting substantially the length of time acquired sites need be carried as a backlog for the Company's development pace. Because of the number of properties available for development which were purchased under the former 26-month schedule, the full effect of this change in procedure probably will not be realized for at least another twelve months.

Total Sales



SPACIOUSNESS of checkstand area in a modern Safeway store eases the flow of traffic through each lane and reduces delays. Roomy aisles provide

Pending Litigation

In July, 1955, the Company, its then President and its Dallas Retail Division Manager were indicted by a Federal Grand Jury in Fort Worth, Texas, for alleged violations of the Sherman Antitrust Act and the Robinson-Patman Act. Later in 1955 this indictment was dismissed, and similar charges were made in a criminal information and a civil action. This litigation arose out of directly meeting trading stamp competition, loss leaders, and other forms of price-cutting in Texas and New Mexico. The Company does not believe it violated these laws in any way—unless meeting competition in good faith has become a crime or unlawful—and believes that the charges made in these suits are entirely unjustified.

xtra convenience. Note youngsters with their own "kiddie-size" shopping carts.

Taxes

Safeway's total direct 1956 tax and license bill was: $47,346,294—186% of, or almost double, the Company's consolidated net profits of $25,406,310. All income taxes amounted to $27,955,140. Payroll, excise, use, franchise, transport, sales, real and personal property and other local taxes were $17,809,620. All licenses totaled $1,581,534.

Development

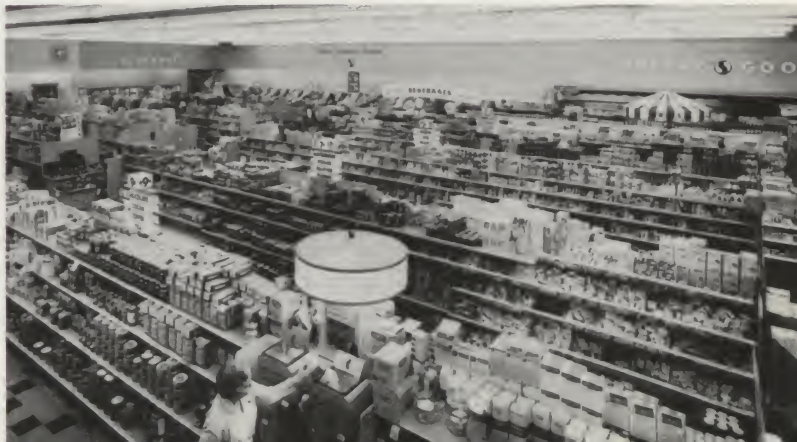
Safeway was incorporated in 1926 when sales by 750 stores were $50,000,000. Sales in 1956 were $1,989,305,295 by 1,980 stores. Safeway is the second largest food retailer.

Based on the present rate of United States' population growth, food expenditures increase annually about one billion dollars.

Population not only grows; it shifts. In 1956, the fastest growing states of Safeway's territory were Nevada, 55% over the 1950 Census; Arizona, 41%; and California, 27%. Foresight made possible opening 22% of Safeway's 1956 stores in these three states. All but one new store in the New York and Washington, D. C. Divisions were suburban in 1956 when 83% of our population increase since the Census was reported just outside metropolitan markets. Safeway long has emphasized neighborhood locations to serve residential communities.

Standards of eating also grow. Nevertheless, families spent no more for food than twenty years ago in terms of their incomes—about 25%. If families were still eating the same foods, only 16% of incomes now would be needed. They want more variety. Safeway's new stores in 1956 carried an average of 6,000 items for customers, compared with 1,400 twenty years ago.

THOUSANDS of items in neatly arranged sections help make a shopping tour an exciting event in a Safeway store. Interior wall colors and special lighting combine with spacious display to "Please the Customer."



Safeway People

At the close of 1956, there were 54,325 persons employed by the Company. Altogether they produced the foundation of this report. The eighteen Retail Division Managers pictured on page 16 were the leaders of Company operations.

The Company paid a total of $225,640,798 to all employees as direct personal incomes for their services. This was an increase of 6.09% over 1955. In addition, group insurance, retirement and profit-sharing benefits were available to all eligible employees.

Payments into the Company's Profit-Sharing Plan for participants' accounts, based on their 1956 compensation, totaled $3,811,277. This was deferred compensation earned by Safeway people and is fully deductible for tax purposes by the Company. Similarly, 1956 contributions for employees' accounts paid by the Company to outside retirement programs and to its own United States and Canadian Employee Retirement Plans totaled $2,518,834. This amounted approximately to an additional 5% of the payroll for eligible participants.

From each dollar of Company sales, Safeway employees received 8.38 cents in salaries, wages and bonuses. Stockholders, who represent an additional 45,000 members of the Safeway family, retained 1.28 cents as profit and increased equity.

Most of each sales dollar, 82.22 cents, was paid out to farmers and other suppliers of products and for expenses of manufacturing and warehousing. Similarly, 5.14 cents also was paid out for operating supplies and other expenses. To completely account for the sales dollar, depreciation took .82 cents; and taxes, the remaining 2.16 cents.

FRIENDLY service, epitomized by this charming food clerk, regularly brings fan mail from delighted Safeway customers.

HELPFUL, courteous service continues from the moment a customer enters a Safeway store until she is homeward bound.

SAFEWAY STORES, INCORPORATED AND ALL SUBSIDIARIES CONSOLIDATED

Statement of Profit and Loss

and Net Income Retained in the Business for the Year Ended

December 31, 1956, with Comparative Figures for the Preceding Year

	1956	1955
Sales to Public	$1,989,305,295	$1,932,243,202
Cost of Sales (including depreciation $6,393,726)	1,636,162,631	1,624,810,518
Gross profit	353,142,664	307,432,684
Operating and Administrative Expenses (including depreciation and amortization $16,277,544)	294,391,009	274,259,865
Operating profit	58,751,655	33,172,819
Other Income	638,104	272,671
	59,389,759	33,445,490
Other Charges:		
Interest on debentures	2,848,157	2,991,653
Other interest	2,235,896	1,877,231
Amortization of debenture issue expense	158,212	165,482
Loss on disposition of fixed assets (net)	353,272	707,352
Dividends to public on preferred stock of a subsidiary	432,772	373,345
	6,028,309	6,115,063
Profit before taxes on income	53,361,450	27,330,427
Provision for Taxes on Income:		
Federal income tax	23,472,280	10,490,000
Canadian and other income taxes	4,482,860	3,218,624
	27,955,140	13,708,624
Net Profit for Year	25,406,310	13,621,803
Net Income Retained in the Business at Beginning of Year	64,045,824	61,615,251
	89,452,134	75,237,054
Deduct:		
Cash dividends:		
4.30% convertible preferred stock	842,286	1,146,842
4% preferred stock	1,099,162	1,125,492
Common stock—$2.40 per share	8,819,417	8,385,676
Expense of sale of 4.40% preferred stock and premium on redemption of 5% preferred stocks of Canada Safeway Limited	—	540,605
Transfer to additional paid-in capital of issue expense of 4.30% preferred stock converted into common stock	(407,893)	(7,385)
Gain on acquisition of preferred stock of a subsidiary	(2,776)	—
	10,350,196	11,191,230
Net Income Retained in the Business at End of Year	$ 79,101,938	$ 64,045,824

See notes to financial statements

SAFEWAY STORES, INCORPORATED AND ALL SUBSIDIARIES CONSOLIDATED

Statement of Financial Position

as of December 31, 1956, with Comparative Figures for the Preceding Year

	1956	1955
Current Assets:		
Cash	$ 49,581,091	$ 60,000,926
Accounts receivable—less allowance for uncollectible accounts $110,723	7,660,820	6,622,743
Merchandise inventories—at lower of cost or market	149,761,023	155,819,585
Prepaid insurance, taxes, rents, supplies, etc.	6,398,846	6,978,141
Properties for sale under the Company's real estate program	24,789,353	34,176,941
Total Current Assets	$238,191,133	$263,598,336
Deduct Current Liabilities:		
Notes payable	$ —	$ 50,900,000
Debentures payable	6,200,000	6,470,000
Accounts, mortgages and drafts payable	87,673,005	85,181,273
Accrued expenses	15,816,239	12,938,969
Dividends payable	523,555	677,452
Federal and Canadian income taxes	22,014,778	11,845,876
Total Current Liabilities	$132,227,577	$168,013,570
Working Capital (Carried forward)	$105,963,556	$ 95,584,766
Current assets per dollar of current liabilities	$ 1.80	$ 1.57

See notes to financial statements

SAFEWAY STORES, INCORPORATED AND ALL SUBSIDIARIES CONSOLIDATED

Statement of Financial Position

as of December 31, 1956, with Comparative Figures for the Preceding Year

	1956	1955
Working Capital (Brought forward)	$105,963,556	$ 95,584,766
Notes Receivable and Miscellaneous Investments	3,154,156	2,902,973
Fixed Assets—at cost less depreciation $105,337,075	149,731,828	156,028,338
Unamortized Debenture Issue Expense	965,576	962,710
Working Capital and Other Assets	$259,815,116	$255,478,787
Deduct:		
Debentures payable—long term	$ 61,353,500	$ 69,780,000
Mortgages payable—long term	3,346,258	5,533,374
Preferred stock, par value $100, of Canadian subsidiary held by public	9,697,700	10,000,000
	$ 74,397,458	$ 85,313,374
Stockholders' Equity	$185,417,658	$170,165,413
Deduct:		
4.30% convertible preferred stock (cumulative) par value $100 per share—authorized and outstanding 129,725 shares	$ 12,972,500	$ 26,444,300
4% preferred stock (cumulative) par value $100 per share—authorized 491,710 shares. Outstanding 269,318 shares (after deducting 2,020 shares in treasury)	26,931,800	28,039,800
	$ 39,904,300	$ 54,484,100
Common Stockholders' Equity	$145,513,358	$115,681,313
Consisting of:		
Common stock—authorized 9,000,000 shares—par value $5 per share—outstanding 3,838,966.42 shares (after deducting 15,317.58 shares in treasury)	$ 19,194,832	$ 17,502,072
Additional paid-in capital	47,216,588	34,133,417
Net income retained in the business	79,101,938	64,045,824
Common Stockholders' Equity	$145,513,358	$115,681,313
Book value per share of common stock	$ 37.90	$ 33.05

See notes to financial statements

Notes to Financial Statements

Principles of Consolidation. All subsidiaries of the Company are included in the consolidated financial statements. The accounts of the Canadian subsidiaries are consolidated as U. S. funds at dollar for dollar.

Properties for Sale Under the Company's Real Estate Program. This includes properties under the Company's "buy—build—sell—lease" program which the Company reasonably anticipates will be developed and sold within approximately one year. Also included are properties surplus to the Company's needs at a cost of $2,928,335, which will be sold outright and for which negotiations for sale were in process as of the year end.

Debentures Payable. The debentures payable consist of the following: Safeway Stores, Incorporated, $40,000,000 Series A, 3.25% to 4%, maturing $5,000,000 annually; $23,000,000 Series B, 4¼%, sinking fund requirement of $1,000,000 annually through 1964, then $3,000,000 annually through 1968, and maturing in 1969; Wingate Equipment Lessors Limited (Canadian subsidiary), $1,800,000 Series A, 4½%, maturing $200,000 annually; $2,880,000 Series B, 4½%, sinking fund requirement of $120,000 annually through 1965 and then $360,000 annually through 1969 maturing in 1970 (Series B debentures of $126,500 have been acquired to meet the 1957 and a portion of the 1958 sinking fund requirement); total outstanding, including $6,200,000 due in 1957, $67,553,500.

The debentures are redeemable other than through the sinking fund at the option of the Company or the Canadian subsidiary at varying premium rates prior to maturity.

Under the Indenture covering the parent company's debentures, the net income retained in the business as of December 31, 1956 is restricted in the amount of $56,263,895 as to dividend payments other than in capital stock of the Company, and as to acquisition of its own stock. The Indenture imposes certain other restrictions, including certain restrictions upon the creation of additional funded indebtedness. The debentures of Wingate Equipment Lessors Limited are secured by an assignment of an equipment lease, and rentals due thereunder, with its parent company, Canada Safeway Limited.

Properties Mortgaged. Included in the accompanying statements are land and buildings costing $11,917,686 which are mortgaged for $6,280,791.

Capital Stock. The terms of issue of the 4.30% and 4% preferred stocks require sinking funds sufficient to provide for retirement annually of 2% of the largest amount outstanding, with the requirement as to the 4.30% preferred commencing in 1965. The total sinking fund requirement for 1957 is 6,216 shares, of which 3,994 were surrendered in 1956 and 2,020 were in the treasury as of December 31, 1956, leaving a balance of 202 shares. The terms of issue of the preferred stock of the Canadian subsidiary provide for annual replenishment of expenditures from a fund of $300,000 set aside in 1956 for the purchase of stock, for the purpose of cancellation, if available at par value or less. The preferred stocks are subject to redemption on call at a premium which is now $2.00 per share on the 4% preferred, $3.00 per share on the 4.30% preferred and $4.00 per share on the Canadian preferred, which becomes reduced periodically ultimately to 50 cents per share.

Of the unissued common stock of the Company, 282,011 shares are reserved for conversion of the outstanding 4.30% preferred stock, convertible at par at $46 per share of common. In addition, 71,897 shares of the common stock are reserved for issuance to officers and employees pursuant to a restricted stock option plan under which options to purchase common stock may be granted to officers and employees of the Company and its subsidiaries, as determined by the Board of Directors, in consideration of agreements not to terminate employment for stated periods. 93,049 shares were issuable under options outstanding at the first of the year. During the year options for a total of 10,200 shares were granted at the option price of $65 1/16 per share and options for 46,152 shares were exercised at a total option price of $1,645,574. On or before December 31, 1956, options for a total of 74,770 shares had been exercised. No options expired or were cancelled in 1956 and no changes occurred during the year in the exercise price of options outstanding at the first of the year. On December 31, 1956 options were outstanding for 57,097 shares, of which 17,347 are exercisable at $33⅞ per share; 24,000 at $36⅝; 5,550 at $45⅜ and 10,200 at $65 1/16. The unoptioned shares available for granting options under the plan at the first and end of the year were 25,000 and 14,800, respectively. All matured options become void unless exercised within three months after employment terminates, with one year extension on employee's death, and in any event after December 31, 1961.

Additional Paid-In Capital. Changes in the consolidated Additional Paid-In Capital during the year consist of discount on preferred stock acquired $87,850, excess of proceeds over par value of common stock issued under options exercised $1,414,814, excess of par value of preferred stock over par value of common stock issued on conversion $11,988,400, less pro-rata share of original issue expense $407,893.

Employee Retirement and Profit-Sharing Plans. Payments by the Company and subsidiaries into the Employee Retirement Plan Trust Funds for the year amounted to $2,008,557 in the U. S. and $260,923 in Canada. Payments to the Profit-Sharing Plan Trustee for the year amounted to $3,811,277 in the U. S.

Contingent Liabilities and Commitments.

(a) The liability upon completion of contracts for the construction of buildings not reflected in the financial statements amounted to approximately $22,500,000.

(b) The leases in effect for stores, warehouses, and other properties number 2,663. Of these, 2,255 contain options to cancel. Should the Company exercise these options, it could be required to purchase 1,577 properties. The minimum annual rental for 1957 under all leases (some of which contain percentage of sales clauses) is approximately $24,000,000; this amount decreases annually until the year 2007 as leases expire.

(c) The Company is a defendant in certain actions in which it is charged with alleged violations of the Sherman Antitrust Act and the Robinson-Patman Act and which have not yet come to trial.

P E A T , M A R W I C K , M I T C H E L L & C O .

ACCOUNTANTS' REPORT

The Board of Directors,

Safeway Stores, Incorporated:

We have examined the statement of consolidated financial position of Safeway Stores, Incorporated and all subsidiaries as of December 31, 1956 and the related statement of profit and loss and net income retained in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statement of consolidated financial position and statement of consolidated profit and loss and net income retained in the business present fairly the financial position of Safeway Stores, Incorporated and all subsidiaries at December 31, 1956 and the results of their operations for the year then ended. Generally accepted accounting principles have been employed on a basis consistent in all material respects with that of the preceding year.

Peat, Marwick, Mitchell & Co.

San Francisco, California

February 20, 1957.

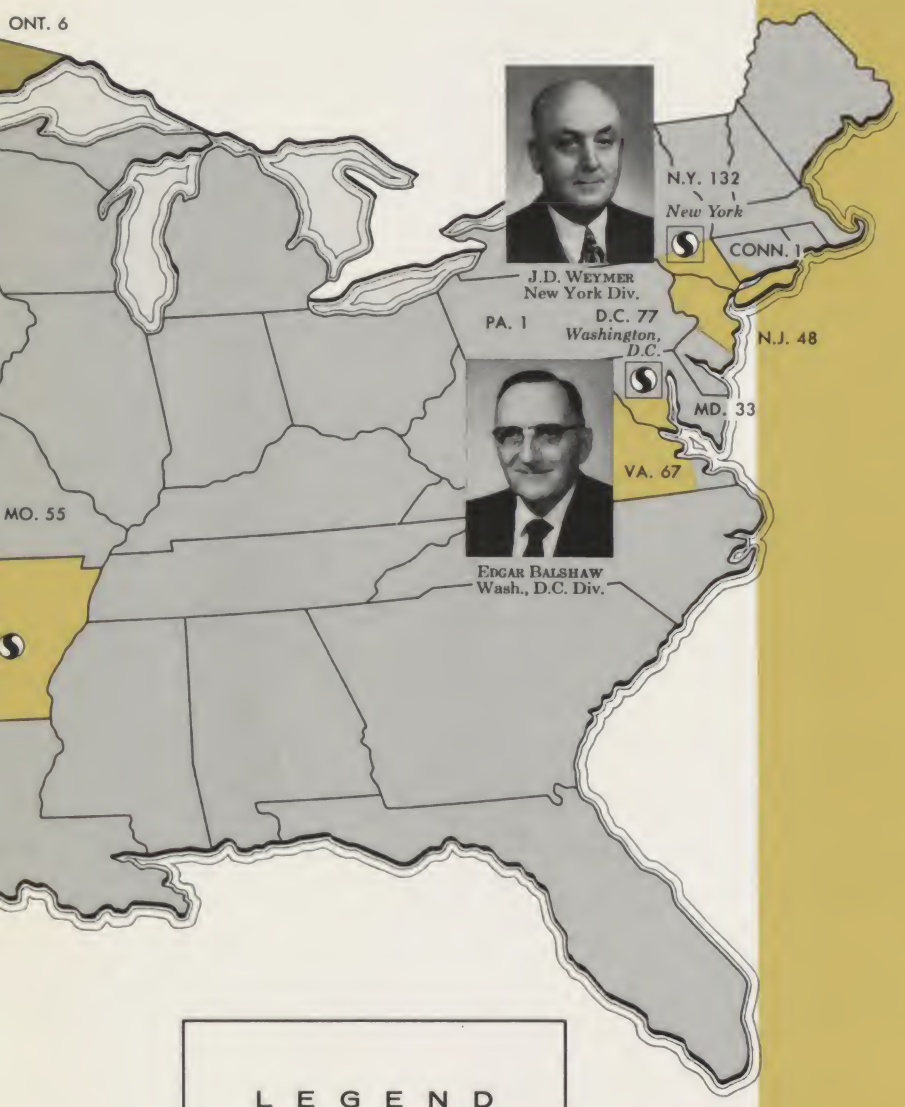
SAFEWAY STORES,

SAFEWAY's front-liners in Operation "Please the Customer" are the employees in the 1,981 stores (as of December 31, 1956), backed by their co-workers in the numerous backstage operations, combining to form a team of some 54,000 men and women. Retail operations are divided into 18 Divisions, which in turn are sectionalized into 27 Zones and 122 Districts. Pictured above are the 18 Retail Division Managers who head the Company's front-line operations. Map indicates Safeway's geographical locations.

INCORPORATED

A MARYLAND

CORPORATION



EXECUTIVE OFFICERS

Robert A. Magowan, *President and Chairman of the Board of Directors*

Ralph D. Brown, *Vice President*

George T. Burroughs, *Vice President*

Hugh Frost, *Vice President*

A. Russell Griffith, *Vice President and Controller*

William S. Mitchell, *Vice President*

J. W. Rupley, *Treasurer*

Drummond Wilde, *Vice President and Secretary*

DIRECTORS

Robert A. Magowan *Chairman of the Board*

J. G. Boswell, II

George T. Burroughs

Norman Chandler

Charles de Bretteville

Hugh Frost

Artemus L. Gates

A. Russell Griffith

Joseph M. Long

Michael W. McCarthy

William S. Mitchell

Milton L. Selby

Jack I. Straus

Brayton Wilbur

EXECUTIVE OFFICES

4th and Jackson Streets, Oakland, California

TRANSFER AGENTS

The Chase Manhattan Bank
New York, New York

Crocker-Anglo National Bank
San Francisco, California

REGISTRARS

City Bank Farmers Trust Company
New York, New York

The Bank of California, National Association
San Francisco, California

AUDITORS

Peat, Marwick, Mitchell & Co.

SAFE